



MARCH 10, 2022

# A Faster Minimum Wage Phase-In Would Help Low-Wage Workers Who Need it Now

## Position Statement in Support of Senate Bill 721

*Given before the Senate Finance Committee*

The COVID-19 pandemic has highlighted Maryland communities' deep reliance on the workers who keep families fed, care for aging adults, and maintain sanitary public spaces. Yet these same workers too often take home wages that cannot support a family, let alone compensate for the daily risks their jobs require. The General Assembly's decision to pass the Fight For \$15 legislation in 2019 was major victory for low-wage workers but, since then, chaos in public health and our economy have made it harder for many to get by. **The Maryland Center on Economic Policy supports Senate Bill 721 because it would expedite Maryland's path to a \$15 minimum wage and prevent counterproductive delays.**

After decades of backsliding, we are finally bringing Maryland's minimum wage back to the purchasing power it had in the late 1960s. However, the phase-in schedule in the 2019 bill – especially after the delays added through amendments – does not do enough to keep up with the rising cost of living. Senate Bill 721 calls for a schedule that responds to today's economic conditions:

- The bill would bring the minimum wage for most workers to \$15 per hour by July of this year, rather than January 2025 under current law.
- The bill maintains a more gradual phase-in for small employers, bringing the minimum wage to \$15 in July 2023 rather than July 2026 under current law.
- The bill repeals a provision that would allow the Board of Public Works to further delay minimum wage increases during times of economic difficulty. The fact is, the minimum wage enables low-wage workers and their families to afford necessities, which supports sales at local businesses and can therefore cushion the blow of a recession.

Maryland workers simply cannot get by on low wages. Between housing, food, clothing, and other essentials, even a single adult, working full time and not caring for children, cannot afford a basic living standard anywhere in Maryland for less than \$15 per hour, according to the Economic Policy Institute.<sup>1</sup> That cost only increases for workers supporting a family.

A stronger minimum wage would benefit workers of every background, and would be especially meaningful for women and workers of color, who today are often held back by structural barriers built into our labor market.

A large body of research shows that when families earn enough to afford the basics, the benefits ripple out to nearly every part of their lives. A 2013 systematic review of academic literature linked higher family incomes to:<sup>ii</sup>

- Fewer families struggling to put food on the table
- Increased spending on children’s clothing, reading materials, and toys
- Fewer behavioral problems, less physical aggression, and less anxiety among children
- Improved academic and cognitive test results, and more years of schooling completed

Decent wages are also linked to individuals’ and families’ physical health, prompting the American Public Health Association to endorse a higher minimum wage, noting that “current metrics for setting minimum wages inadequately capture the basic necessities for living in full health.”<sup>iii</sup>

Senate Bill 721 would support Maryland’s economy:

- Family-supporting wages are a crucial tool to make Maryland an attractive place to live and work, and to draw people into the labor market. This leads to a deeper talent pool for employers.
- More than anyone else, families living paycheck to paycheck quickly cycle every dollar of income back into the local economy by buying essentials.<sup>iv</sup> A higher minimum wage means higher incomes for precisely the families who will spend that money fastest. This, in turn, means stronger sales at local businesses, which allows them to hire more workers.

Finally, the most rigorous economic research undermines catastrophic predictions about the effect of a higher minimum wage on the economy:

- A study published in 2019 examined 138 state minimum wage changes between 1979 and 2016. The study found no evidence of any reduction in the total number of jobs for low-wage workers and no evidence of reductions affecting workers without a college degree, workers of color, or young workers.<sup>v</sup>
- A 2016 meta-analysis of 37 studies on the minimum wage published since 2000 found minimal employment effects, particularly for the vast majority of affected workers who are at least 20 years old.<sup>vi</sup>

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Finance Committee make a favorable report on Senate Bill 721.**

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## Equity Impact Analysis: Senate Bill 721

### *Bill Summary*

Senate Bill 721 expedites the phase-in schedule for Maryland’s \$15 minimum wage:

- The bill would bring the minimum wage for most workers to \$15 per hour by July of this year, rather than January 2025 under current law.
- The bill maintains a more gradual phase-in for small employers, bringing the minimum wage to \$15 in July 2023 rather than July 2026 under current law.

Senate Bill 721 also repeals a provision that would allow the Board of Public Works to delay minimum wage increases when economic indicators suggest a possible recession.

### Background

The General Assembly passed legislation in 2019 to increase the statewide minimum wage to \$15 per hour by 2026 (with most workers reaching \$15 by 2025). However, this law was the product of a series of compromises that delayed wage increases for most workers and left some out entirely.

Current wage standards are not sufficient to ensure Maryland workers can afford a basic living standard. As of 2018, a single adult working full-time and not raising children would have needed a \$15.51 hourly wage to afford a “modest yet adequate” standard of living in Baltimore City.<sup>vii</sup> Every other county in Maryland has an even higher cost of living, and costs are higher for workers supporting a family. Adjusted for inflation, a \$15.51 hourly wage in 2018 is equivalent to \$16.74 in 2021.

### Equity Implications

Because structural barriers in the labor market disproportionately push women and workers of color into low-wage jobs, strengthening the minimum wage yields especially large benefits for these workers. The table below summarizes hourly wages for Maryland workers in 2021.

**Wage Distribution of Maryland Workers by Race and Gender**

Percentile	All Workers	Men	Women	White	Black
10 <sup>th</sup>	\$12.50	\$13.46	\$12.02	\$12.89	N/A
30 <sup>th</sup>	\$17.99	\$19.12	\$16.52	\$19.95	\$16.68
50 <sup>th</sup> (Median)	\$26.24	\$28.11	\$24.27	\$28.74	\$23.00
70 <sup>th</sup>	\$37.52	\$43.11	\$33.78	\$41.77	\$31.72
90 <sup>th</sup>	\$68.87	\$97.90	\$56.98	\$93.16	N/A

Source: Economic Policy Institute analysis of 2021 Current Population Survey microdata.

Note: 10<sup>th</sup>- and 90<sup>th</sup>-percentile wage data are not available for Black workers in 2021. Wage data are not available for other racial and ethnic groups in 2021.

### Impact

Senate Bill 721 would likely **improve racial, gender, and economic equity in Maryland.**

<sup>i</sup> Economic Policy Institute 2018 Family Budget Calculator, <http://www.epi.org/resources/budget/>

<sup>ii</sup> Kerris Cooper and Kitty Stewart, “Does Money Affect Children’s Outcomes? A Systematic Review,” Joseph Rowntree Foundation, October 2013, <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/money-children-outcomes-full.pdf>  
The systematic review methodology involves defining in advance how researchers will identify relevant studies, as well as quality control measures to ensure that only studies with credible methodologies are included. This methodology protects against researchers cherry-picking studies that support their viewpoint.

<sup>iii</sup> “Improving Health by Increasing the Minimum Wage,” American Public Health Association, November 2016, <https://www.apha.org/policies-and-advocacy/public-health-policy-statements/policy-database/2017/01/18/improving-health-by-increasing-minimum-wage>

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<sup>iv</sup> Christopher Carroll, Jiri Slacalek, Kiichi Tokuoka, and Matthew White, “The Distribution of Wealth and the Marginal Propensity to Consume,” *Quantitative Economics* 8(3), 2017, <https://onlinelibrary.wiley.com/doi/10.3982/QE694>

<sup>v</sup> Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer, “The Effect of Minimum Wages on Low-Wage Jobs,” *The Quarterly Journal of Economics* 134(3), 2019, <https://academic.oup.com/qje/article/134/3/1405/5484905>

<sup>vi</sup> Paul Wolfson and Dale Belman, “15 Years of Research on US Employment and the Minimum Wage,” *Labour* 33(4), 2019, <https://onlinelibrary.wiley.com/doi/abs/10.1111/labr.12162>

<sup>vii</sup> Economic Policy Institute 2018 Family Budget Calculator, <http://www.epi.org/resources/budget/>